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THE *Demand and Price* SITUATION

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UNITED STATES DEPARTMENT OF AGRICULTURE

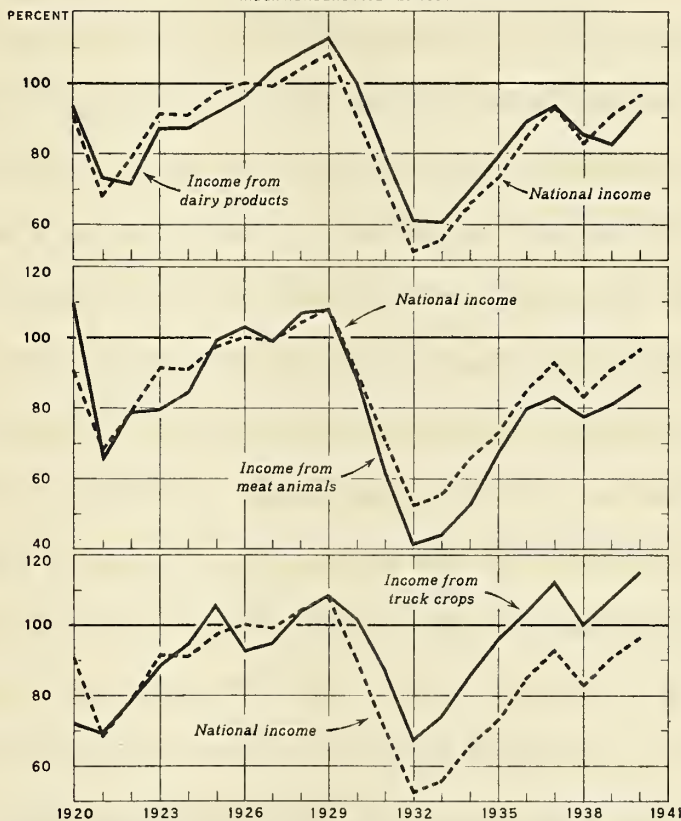
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CASH FARM INCOME FROM SPECIFIED PRODUCTS, AND
NATIONAL INCOME, UNITED STATES, 1920-40

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U. S. DEPARTMENT OF AGRICULTURE

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CHANGES IN THE NATIONAL INCOME USUALLY ARE ACCOMPANIED BY SIMILAR PERCENTAGE CHANGES IN FARM INCOME FROM MARKETINGS, ALTHOUGH OVER A PERIOD OF YEARS NOTICEABLE DIVERGENCES MAY OCCUR, AND THESE MAY DIFFER GREATLY FOR THE VARIOUS GROUPS OF PRODUCTS. FOR INSTANCE, THE SUBSTANTIAL INCREASE IN PRODUCTION OF AND DEMAND FOR TRUCK CROPS IN THE PAST DECADE HAS RESULTED IN INCREASED RETURNS TO GROWERS RELATIVE TO THE NATIONAL INCOME, WHEREAS RETURNS FROM MEAT ANIMALS HAVE SHOWN A RELATIVE DECLINE, DUE IN PART TO REDUCED EXPORTS. FARMERS' RETURNS FROM DAIRY PRODUCTS USUALLY ARE TARDY IN REFLECTING IMPROVEMENT IN NATIONAL INCOME, BUT OVER A PERIOD OF YEARS THEY ADHERE CLOSELY TO THE TRENDS IN SUCH INCOME.

SUMMARY

During the next few months changes in industrial activity and consumer income are expected to be relatively small, but the demand for farm products should continue to improve. Even though industrial activity may not expand the full seasonal amount from January to May, no decline in the actual rate of output is anticipated and a renewed rise is expected to follow. This points to continued but more gradual improvement in the conditions affecting the domestic consumer demand for farm products in 1941.

Industrial activity during the first year of operation of the defense program has been stimulated to some extent by the construction of new defense plants and by direct orders for military equipment, but a more important factor in the rise has been forward buying by business men and consumers who have anticipated later shortages or higher prices. During the second year of defense operations beginning this summer there will be less support from forward purchasing of this nature, but activity will be stimulated by the coming into production of new plants, the production of materials necessary for their operation, and the output of goods to satisfy the enlarged volume of consumer purchasing power. The effect of the large amount of forward buying which has occurred in recent months will be to raise activity in the first half of the year above that previously indicated. This will make for a more stable level of activity in the year as a whole than would have prevailed if more civilian purchases had been delayed until defense needs became greater.

Exports of agricultural products continue small. Any easing in the dollar exchange situation would be favorable to farm product exports although there is no certainty that even this would be followed by larger cash purchases by Great Britain. The relatively short ocean routes between North America and

Europe have thus far had no visible effect on exports of United States farm products, although with changes in the shipping situation this may eventually become a factor favoring domestic producers over more distant competing nations.

Wholesale commodity prices rose persistently from August 1940 to January 1941, reaching the highest level in 3 years. Some decline has occurred during the past month. This probably will prove temporary. Further price gains are expected to accompany the increasing pressure of demand on productive facilities. Wage costs will increase and raw material prices probably will rise further, although a runaway advance is not in prospect.

Farm income apparently declined by at least the full seasonal amount in January. Prices received were generally higher than in December, but hog marketings did not hold at the abnormally high rate of late 1940. Prices were lower in February than in January, but higher than a year earlier. Prospects for the year as a whole are for sufficiently higher farm product prices and cash income to slightly more than offset the effects on buying power of rising prices of commodities and services purchased by farmers.

-- February 17, 1941

The situation by commodities is as follows:

- Wheat: Domestic wheat prices are lower now than a month ago, but fluctuations continue to be small, with the market stabilized by the loan program. Even though warehouse loans are beginning to expire, market supplies are not expected to increase much, because the Government will take delivery at maturity if loans are not taken up before that time.
- Cotton: Domestic cotton consumption, totaling 843,000 bales in January, exceeded the previous record by 66,000 bales; and the exceedingly well sold condition of the mills indicates that consumption will continue high for some time. Domestic prices of unfinished textiles increased during the month

ended February 13; prices of spot cotton held steady and futures quotations declined slightly. Over 100,000 bales of the 1940 loan cotton had been redeemed up to February 10, and it is probable that redemptions will continue to increase. Exports of raw cotton during January totaled only 52,000 bales to raise the total for the first half of the current season to 660,000 bales. Cotton mill activity in the United Kingdom apparently declined recently, and further curtailment is not unlikely.

- Feed grains: The 61-cent loan on corn, together with the policy of the Commodity Credit Corporation to sell Government held corn at 65 to 69 cents per bushel, will tend to stabilize the corn market during the next few months. It is estimated that the quantity of 1940 corn sealed by early February was less than one half the quantity of 1939 corn sealed up to that date last year.
- Rice: Rice prices have advanced in the past month, influenced by an active demand for both rough and milled rice. The demand for American rice by Cuba, which is our most important foreign outlet, is large this year on account of decreased competition from oriental rice in this market.
- Hogs: Hog marketings will continue to decrease seasonally for the next month or so, and slaughter supplies for the remainder of the marketing year (through September) will be considerably smaller than a year earlier. Hog prices have weakened a little in the past 7 weeks but have remained higher than in early December. Hog slaughter was reduced sharply in January.
- Beef cattle: Marketings of grain-fed cattle during 1941 will be larger than a year earlier, with most of the increase in the last half of the year. Cattle prices weakened somewhat in late January and early February. Inspected cattle slaughter in January was 8 percent larger than a year earlier.
- Lambs: Supplies of slaughter lambs during the remainder of the fed-lamb marketing season probably will be a little larger than in the corresponding period of 1940. Lamb prices advanced sharply from mid-December to mid-January, but weakened a little in early February. Inspected lamb slaughter increased materially in January.
- Wool: A relatively small carry-over of wool in this country and prospects for a large mill consumption of wool in 1941 will be strong supporting factors to domestic wool prices in the 1941 marketing season. But wool supplies available for shipment from foreign countries to the United States are relatively large, and any advance in domestic prices from present levels is likely to be moderate.

- Butter: Butter prices declined sharply from mid-December to mid-January, following the marked price rise in the latter part of 1940 and the more-than-usual seasonal increase in butter production. Following this decline the Surplus Marketing Administration purchased butter on the open market. Butter prices in January averaged lower than a year earlier, but during the remainder of the feeding period prices of dairy products may average somewhat higher than in the same period of 1940. The improvement in demand is expected to more than offset the effect of higher production on prices.
- Poultry and eggs: Egg production now is larger than a year earlier but on account of the smaller number of layers on farms this year than last production during the coming spring and summer is expected to be slightly smaller than in the corresponding period of 1940. Because of these smaller supplies and the stronger consumer demand, egg prices are expected to average higher this year than last. Supplies of poultry meat for the first half of this year are smaller than a year earlier. In the last half supplies may be increased by a larger hatch of chickens this year than in 1940, but chicken prices are expected to average higher in 1941 than they did last year.
- Oilseeds, fats and oils: With increased consumer incomes, prices of fats, oils, and oilseeds are expected to average somewhat higher in 1941 than in 1940. Prices advanced rather generally in January, but were still below the levels of a year ago. Last year, however, the price trend was sharply downward from January to August. Total production of fats and oils in 1941 may not be greatly different from the record output in 1940. Decreased production for lard and greases is likely to be about offset by increased output for vegetable and marine oils.
- Fruit: Domestic supplies of citrus fruits and apples in the next 5 months will be roughly 10 percent and 15 percent greater, respectively, than they were in the same period a year earlier. In view of this situation, Government purchases of citrus and apples for relief distribution probably will continue. Increased consumers' income will also help to offset the depressing effect on prices of these large supplies.
- Potatoes: Larger supplies of potatoes in prospect for the first 6 months of 1941 compared with a year earlier are likely to more than offset the influence of increased purchasing power on prices.
- Truck crops: Unfavorable weather has reduced marketings of winter vegetables in recent weeks and market prices have advanced somewhat, but marketings are expected to increase during late February and early March, and prices probably will decline.

DOMESTIC DEMAND

Consumer purchasing power has been steadily advancing for 8 months in response to an even sharper rise of industrial activity. Consumer demand

for farm products, as usual, has responded rather sluggishly to these developments, but in recent months has shown definite evidence of growing strength. During the next few months changes in industrial activity and consumer income are expected to be relatively small, but the demand for farm products should continue to improve.

After a sharp rise from April to October, the level of industrial production has since changed little. The slight decline in December and January was less than usual for those months, and so the seasonally adjusted Federal Reserve index (preliminary) has risen. From February to May, on the other hand, the seasonal trend usually is upward. With steel, textiles, and automobiles already operating at high rates, which in some cases are about capacity under present operating practices, a slight decline in the seasonally corrected index may occur. But with the absolute level of output holding up well or rising slightly, demand conditions should continue the improvement of recent months.

The outlook for demand and prices in 1941 as a whole, given in the October issue of the Demand and Price Situation, may now be reappraised on the basis of developments during the 5 months since that report was prepared. The October forecast was for a 10-percent increase of industrial production in 1941 over 1940. It now appears that the increase will be greater than previously indicated: at least 12 to 15 percent above 1940. Estimates of the various measures of employment, consumer income and prices, however, have not been materially changed. Recently available preliminary data for 1940 confirm previous partial indications that these demand factors cannot be expected to advance as much in relation to the new Federal Reserve index of industrial activity as in previous years when they started from lower levels. The prospective 1941 domestic demand situation, therefore, remains about as given in the October report.

Reasons for the upward revision of the October forecast of industrial activity have a bearing upon possible errors in the new forecast and upon the pattern of movement during 1941. The new Federal Reserve index inaugurated only last summer includes machinery, which is given a heavy weight. It has been found difficult to forecast machinery production because of rapid changes in capacity and other factors. This has been partly responsible for a larger-than-anticipated rise in the seasonally adjusted index of industrial activity in the last part of 1940, and it is possible that activity in the machinery industry may increase sufficiently during the next few months to prevent any decline in the index.

Another reason for the larger-than-anticipated rise of industrial output has been an increase of even larger than expected proportions in the volume of forward buying by both business men and consumers. The extensive publicity which has been given to possible shortages of material and labor, as well as talk of war-time price inflation, has made buyers apprehensive over their ability to obtain goods at reasonable prices after the defense program really gets going in 1941. As a result, many people have been buying new automobiles and other things far in advance of the time they would do so under normal circumstances. Manufacturers and dealers generally also have been stocking up without much regard to normal practice.

This forward buying has resulted, for example, in an output of automobiles, and materials used in their production, in excess of even the most optimistic expectations of last fall. Business men also have increased their coverage on textiles, steel, and many other products, sometimes buying for nearly a year in advance commodities which formerly were handled on a 30 or 60-day basis. This large volume of forward buying has been more responsible than actual defense expenditures for the rapid acceleration of industrial activity since last summer.

To some extent this kind of activity represents borrowing from the future, and will tend to even out the rate of industrial production during 1941. If business continues to carry abnormally large inventories, as is likely throughout the present year at least, the recent inventory accumulations also will result in a larger total volume of output for the year as a whole. For, by the time buying reverts to a replacement basis, the new defense factories will be coming into production to take up the slack which otherwise would ensue. Thus, the net result of the recent wave of forward buying probably will be to raise activity in the first half of the year above earlier expectations, without greatly affecting output in the last half because the materials industries will then be running at near capacity anyway to care for new defense production.

Industrial production during the first 2 years of the defense program, therefore, may be divided into two parts. During the first 12 months activity is being stimulated by the construction of defense plants and forward buying by business men and consumers. These factors probably will be felt much less during the second period beginning next summer, but activity will be supported or stimulated by the coming into production of new plants, the production of materials necessary for their operation, and the output of goods which will be necessary to satisfy the enlarged volume of consumer purchasing power. Although it is impossible at this time to assay exactly the relative strength of these forces operating in the two periods, the weight of evidence indicates that the second set of conditions will be stronger than the first, and therefore that industrial activity will expand further in the last half of 1941. This points to continued improvement in the conditions affecting the domestic consumer demand for farm products.

EXPORT DEMAND

There has been no important change in the immediate export outlook for farm products. British purchases are restricted to necessities. Competitive supplies in empire countries and South America are large. These areas have the advantage of less acute exchange difficulties than faces United States exporters, and up to now the longer ocean routes to many of them have had no visible effect in diverting purchases to the United States.

Developments of longer-time significance revolve around possible easing of dollar-exchange difficulties which might accompany possible changes in the method by which Great Britain finances purchases in this country. Although these are too nebulous as yet to permit analysis, any change probably would be favorable to an eventual increase in exports of farm products.

The index of quantity of agricultural exports in December was the lowest, after adjustment for seasonal variation, for any month back to July 1914, which is as far back as monthly indexes are available. The December 1940 seasonally adjusted index of exports was 20 percent of the 1910-14 base period average, compared with 75 a year earlier and 22 in November. The export value of agricultural products totaled 3.4 percent of cash farm income from marketings in December 1940 compared with 10.9 percent a year earlier.

Industrial exports continue to furnish employment for a large number of workers and thus contribute importantly toward the maintenance of an improved domestic demand for farm products.

WHOLESALE COMMODITY PRICES

The broad rise in wholesale commodity prices which started in late August 1940 was extended into January of this year, according to the monthly and weekly Bureau of Labor Statistics indexes which are based on 887 commodities. According to both of these indexes, wholesale commodity prices were higher in January 1941 than at any time since January 1936.

The 5-month rise carried the monthly all-commodity index up from 77.4 percent of the 1926 average in August 1940 to 80.7 percent in January 1941. The weekly index rose 5.1 percent from the week of August 10 to that of January 25. All groups of commodities participated in the general price advance but gains were pronounced only in the farm, building, food, and leather products groups. Raw materials, semimanufactures, and finished goods price indexes rose respectively 8, 6, and 4 percent. Defense authorities have recently found it necessary to remind various groups of raw material producers of the need of preventing undue price advances.

Since about mid-January, basic wholesale prices have tended lower, according to the Bureau of Labor Statistics daily index, with all groups except import commodities participating in the decline. The largest losses have been in the agricultural and food groups.

Irregularity in commodity prices probably will prove temporary. The outlook is for further advances as the defense and aid-to-Britain programs mature. However, defense authorities probably will exert increasing pressure to prevent runaway price advances. In instances where advances do occur - as happened recently in scrap steel and lumber - reductions may be called for. Some increases in raw material costs must, of course, be expected in a period of sharp expansion in industrial activity. This and the operation of more and more factories at near capacity rates as pressure for delivery increases, necessitating overtime pay or the use of less efficient workers, will tend to increase labor costs and consequently to result in rising prices of finished products. Some increase in wage rates is also probable.

Farm and food product price advances will be limited by the generally abundant surplus stocks, virtual loss of export markets, generally ample domestic production, and the maintenance at present of prices of some

products above competitive levels by Government programs. However, these factors will not prevent further advances in the general index of farm product prices as domestic demand improves.

PRICES RECEIVED AND PAID BY FARMERS

Prices received by farmers are estimated, on the basis of changes in wholesale markets, to have declined between mid-January and February, following a rise in the general index from 95 to 104 percent of the 1910-14 average between July 1940 and January of this year.

Preliminary estimates indicate advances between January and February in prices received by farmers for fruits and vegetables. Prices of dairy products, eggs, and meat animals, all of which are important sources of farm income at this season, were lower than in January. Bread grain prices also were lower but marketings at this season are not large. Cotton prices were about the same at mid-February as a month earlier.

A rise of three points in prices received by farmers in January carried the index up to 104, the highest since November 1937 and five points above January 1940. Although the general level of prices received is not expected to change much within the next 2 or 3 months, the general tendency for the year as a whole should be toward a higher level, particularly for products which are ordinarily dependent almost entirely on the domestic market.

The index of prices paid by farmers for the goods they buy was 123 percent of the 1910-14 average in January 1941 compared with 122 percent in both January and December 1940. The ratio of prices received to prices paid rose two points in January, and at 85 percent of the 1910-14 average was four points higher than in January a year earlier.

FARM INCOME

Cash income from farm marketings in January was higher than in January last year, but the decline in income from December to January was slightly larger than usual. The sharp advance in meat animal prices in January more than offset the decline in farm marketings, and preliminary indications are that income from meat animals will be somewhat higher than in December and consequently substantially higher than in January last year. Prices of dairy and poultry products declined more than usual from December to January, but marketings have continued larger than a year earlier and prices in January were slightly higher than a year ago. Income from grains in January was less this year than last, largely because of the smaller amount of corn going into loan; and income from vegetables was less than in January 1940 because of lower potato prices. Income from fruits was somewhat higher than a year earlier, with income from all types of fruits totaling more than in January last year.

Government payments in January were larger than in December but equalled only about two-thirds of the unusually large payments of 126 million dollars in January last year.

Central market prices of several farm products were slightly lower in mid-February than in mid-January, and the quantities of corn going under loan this year are somewhat smaller than in the early months of 1940. In view of these factors, income from farm marketings may make about the seasonal decline from January to February and income in February may not differ greatly from that of February last year when it was temporarily increased by the unusually large amount of corn going into loan.

COTTON

During the past month the 10-market average price of Middling 15/16" spot cotton fluctuated within a range of less than 1/5 cent. At the end of the monthly period, February 13, the 10-market average was 10.12 cents per pound compared with 10.13 a month earlier and 10.72 cents on the corresponding date a year ago. Futures prices, on the other hand, declined from 16 to 23 points during the past month. On February 10 the Government loan stocks of 1940 cotton were 2,875,000 bales despite repossessions totaling 106,000 bales. Trade reports on repossessions (apparently not yet fully reflected in official figures) suggest that large quantities of additional 1940 loan cotton may be redeemed during the coming weeks.

Consumption of 843,000 bales of cotton in the United States during January was 68,000 bales larger than in December and 66,000 bales greater than the previous record made in March 1937. There are indications, however, that January consumption would have been still higher had influenza epidemics not restricted output in some parts of New England and the Southeastern States. This is perhaps one of the reasons for a decline in the seasonally adjusted index of cotton consumption from the record of 145 percent of the 1935-39 average in December to 123 in January. During most of the past monthly period mill sales of unfinished cotton textiles exceeded production, and the slight decrease in sales during early February is attributed largely to the difficulty in finding suitable delivery dates for new orders since mills are well sold in advance. Production is therefore expected to continue at a high level for some months.

The British Ministry of Supply, according to reports, has purchased the surplus of 1940 Peruvian cotton estimated at about 42,000 bales. Textile sales in the United Kingdom have not been large in recent weeks, but mills are still well booked. It is reported that mill activity has recently declined somewhat but production is being maintained where circumstances permit, despite shortages of labor and fuel. There are indications that a more widespread system of controls for the cotton industry in the United Kingdom may soon be forthcoming. One of the provisions probably will be the curtailment of production (mainly at the expense of domestic civilian consumption) to conserve shipping space and free labor for work in munitions factories.

American exports totaled only 52,000 bales during January to raise the total for the first half of the current season to 660,000 bales. During the month United Kingdom was America's largest customer, taking 13,000 bales as compared with 10,000 which went to Japan, 8,000 to Canada, 5,000 bales to Sweden and smaller quantities to several other countries. No shipments have been made to Russia since mid-December.

WHEAT

Domestic wheat prices are lower now than a month ago, but fluctuations continue to be small, with the market stabilized by the loan program. Prices of all classes and grades in six markets for the week ended February 8 averaged about 6 cents lower than for the week ended January 11, when they were at the high for the season to date. Since February 8 prices have declined further.

Slow flour demand, continued excellent new crop conditions, and the unsettled international situation, have been bearish influences. Market supplies have not been heavy, however, and even though warehouse loans (which were for a period of 8 months, or not later than April 30), are beginning to expire, market supplies are not expected to increase much because the Government will take delivery at maturity if loans are not taken up before that time. Growers are not expected to sell their wheat and pay their loans unless wheat prices are above loan values and costs, and prices are generally below this level at present. Commodity Credit Corporation has announced that insofar as practicable it will not sell any 1940 crop wheat that is in good condition except at prices at least at loan values plus charges. On 1940 farm stored grain, an extension beyond the original loan period (which was for 10 months) will again be available in areas where grain can be stored without deterioration.

The quantity of the 1940 crop under loan December 31, the closing date for making loans, was about 280 million bushels. About 10 million bushels of the 1939 crop were resealed on farms last year (the loans on which mature April 30), making a total under loan of about 290 million bushels. Of this quantity, about 60 million bushels are on farms and about 230 million bushels in warehouses.

Wheat stocks in the United States as of January 1, 1941 are estimated at 725 million bushels. This is 118 million bushels above those a year earlier and 74 million bushels above those 2 years earlier. On the basis of July 1 stocks and production less July-December exports, less January 1 stocks, domestic wheat disappearance (food, feed and seed) for the July-December 1940 period is indicated to be 356 million bushels compared with 366 million bushels in the same period a year earlier and 388 million bushels 2 years earlier.

RICE

The United States average price received by rice growers on January 15 was the highest mid-month price for the marketing year to date. At 87.9 cents per bushel, it was 11.6 cents higher than a month earlier, and 15.4 cents higher than on January 15, 1940. On the basis of present market prices, the mid-February price will show a further advance. Fancy Blue Rose at New Orleans on February 10 was \$3.85 per pocket compared with \$3.45 on January 13. The rise in January was influenced by an active demand for both rough and milled rice.

Exports and shipments of rice for the 5 months, August-December 1940, were 7 percent above those for the same period in 1939. Exports of milled rice for this period totaled 1,351 thousand pockets or 285 thousand pockets more than in the same period in 1939. December exports were 347 thousand pockets

compared with only 94 thousand pockets in December 1939. Exports of rough rice, August through December, totaled 38 thousand barrels compared with 26 thousand barrels in the same period a year earlier. Part of the gain in exports was offset by a decrease in shipments to insular possessions. Shipments of milled rice for the 5 months totaled 1,329 thousand pockets compared with 1,443 thousand pockets for the same period in 1939. Shipments to Puerto Rico totaled 1,024 thousand pockets compared with 1,106 thousand pockets for the 5-month period in 1939.

The demand for American rice by Cuba is large this year on account of decreased competition from oriental rice in this market. For the August-December period, exports to Cuba amounted to 1,206 thousand pockets of milled rice compared with 704 thousand pockets for the same period in 1939. This represented 91 percent of our total exports this year compared with 85 percent for the same period in 1939.

The world rice crop for the year beginning August 1940, on the basis of preliminary information, is indicated to be somewhat below that of last year. In the Northern Hemisphere harvests are smaller in Japan, China, Thailand (Siam), the Philippine Islands, and the United States. Larger crops have been reported in Burma, Chosen, and Italy. The crop in French Indo-China is reported about the same as the good harvest of a year ago, but no information has been received as to the size of the Indian crop. In the Southern Hemisphere, although rice in most countries is not harvested until March to May, available information indicates that the crop will be no larger this year than last.

OILSEEDS, FATS AND OILS

Increases in consumer income, arising largely from defense activities, will be a major factor tending to strengthen demand and prices for fats, oils, and oilseeds in 1941. Reflecting improved demand conditions in recent months, and also a marked reduction in lard and grease output, prices of nearly all domestic and of some imported fats and oils scored substantial gains in January. Butter prices declined more than seasonally during the month, but this was the only notable exception to the rather general upturn. Prices of domestic oilseeds also advanced in January.

Despite the gains, prices of most fats, oils, and oilseeds were lower in January this year than last. However, it seems likely that for 1941 as a whole, prices will average somewhat higher than in 1940, when for the first 6 months, the price movement was downward.

Production of fats and oils from domestic materials, totaling nearly 9 billion pounds, set a new record in 1940. Lard, greases, tallow and linseed and soybean oils accounted for most of the gain in output over that in 1939. Total output from domestic materials in 1941 probably will not be greatly different from that in 1940. With reduced hog marketings, lard and grease production will be substantially smaller than a year earlier. But the reductions in these items may be about offset by increased output of vegetable and marine oils.

Both imports and exports of fats and oils were reduced in 1940, stocks were increased to a new high, and domestic consumption was expanded moderately

to reach 9.8 billion pounds, a new record. Marked increases occurred in the consumption of domestic fats in 1940, mainly at the expense of imported items.

CORN AND OTHER FEED GRAINS

Present indications are that corn prices will continue stable, at least during the next few months. The 61-cent loan on corn available until October 1 will tend to support prices, while the policy of the Commodity Credit Corporation to sell corn held by the Government (about 200 million bushels) at 65 to 69 cents per bushel will check any marked advance in prices. Oats, barley, and millfeed prices will be influenced by crop prospects this spring, but changes in prices of these feeds will also be limited by the loan on corn. The hog-corn price ratio has been favorable to hog producers during the past month and is expected to continue so during most of 1941. The relation of beef cattle prices to corn prices and of butterfat to feed prices is about average, whereas the feed-egg price ratio is unfavorable to poultry producers as a result of the sharp drop in egg prices since December.

The quantity of 1940 corn sealed by early February was estimated to be less than half the quantity of 1939 corn sealed up to this time a year ago. The low quality of the 1940 corn crop is indicated by the fact that only 44 percent of the December 1-January 15 receipts at representative markets graded No. 3 or better, as compared with 98 percent in this period a year earlier.

Disappearance of corn during the remainder of the marketing year is expected to be somewhat smaller than in this period last year, and the quantity of corn carried over at the end of the marketing year may be 75 to 100 million bushels larger than the quantity carried over on October 1, 1940. Less than 1 million bushels of corn were exported during December, and exports of other feed grains are of little significance in the feeding situation.

HOGS

The seasonal decrease in hog marketings now under way is expected to continue during the next month or so. And as a result of the 13-percent reduction in the 1940 fall pig crop, the seasonal increase in market supplies during the late spring and summer may be less pronounced than usual. The number of hogs marketed during the remainder of the 1940-41 season (through September) is expected to total around 18 percent less than a year earlier. As a result of this reduction in slaughter supplies and the prospects for further improvement in domestic demand conditions, hog prices are expected to advance to higher levels before the end of the present marketing year (October 1), and they will average considerably higher during 1940-41 than they did in 1939-40.

After advancing sharply in late December and in the first half of January, hog prices weakened again in late January and early February. Most of the advance was maintained, however, and hog prices now are around \$1.75 higher than in early December. The average price of butcher hogs at Chicago for the week ended February 3 was \$7.30, compared with \$7.35 a month earlier and \$5.15 in early February 1940. Corn prices have changed relatively little during the past few weeks, and the recent advance in hog prices has been reflected in considerable improvement in the hog-corn price ratio. The ratio

based on the average price of hogs and of No. 3 Yellow corn at Chicago for the week ended February 3 was 12.4, compared with the level of around 9 and lower which prevailed throughout 1940.

Hog slaughter decreased sharply in January. The number of hogs slaughtered under Federal inspection during the month totaled 4,517,000 head, about 25 percent less than in December and 16 percent less than in January 1940. The average live weight of hogs marketed has increased seasonally during recent weeks. The average weight of hogs slaughtered during January was not greatly different from that of a year earlier.

CATTLE

Marketings of grain-fed cattle during 1941 will be larger than a year earlier as a result of the 11-percent increase in the number of cattle being fed this season over last. Most of the increase in marketings of fed cattle over a year earlier is expected in the last half of the year. The total live weight of cattle marketed for slaughter during 1941 is expected to be greater than in 1940, but the effect of this increase upon the average price received by farmers for cattle will be more than offset by stronger domestic demand conditions this year than last.

The number of cows and heifers slaughtered under Federal inspection during 1940 was little different from that of a year earlier, whereas in the preceding 2 years it had fallen off sharply. The total number of cattle and calves on farms and ranches increased by about 2 million head during 1939. The upward trend in cattle numbers continued during the past year.

Prices of most grades of slaughter cattle declined fairly sharply during late January and early February, following the advance in prices in late December and the first half of January. The decline was more pronounced for the upper than for the lower grades of slaughter cattle, and this has resulted in some narrowing of the spread between prices of these grades, which has been exceptionally wide this winter. The average price of good grade beef steers at Chicago for the week ended February 8 was \$11.55, compared with \$12.20 a month earlier and \$9.40 in the corresponding week of 1940. Prices of feeder cattle, which had advanced sharply from mid-December to mid-January also have weakened in the past few weeks.

Inspected cattle slaughter in January totaled 391,000 head, 4 percent more than in December and nearly 6 percent more than in January last year. Market reports indicate that marketing of grain-fed cattle during January did not differ greatly from a year earlier, however. Inspected calf slaughter totaling 411,000 head in January was 6 percent smaller than in December but only about 1 percent smaller than in January last year.

LAMBS

Marketings of fed lambs during the remainder of the fed-lamb marketing season, which ends about May 1, are expected to be a little larger than in the corresponding period of 1940. Market reports indicate that the movement of lambs from Corn Belt feed lots increased somewhat during January, but a

large proportion of the month's supply was from wheat pastures, particularly in Kansas where feeding conditions were considerably more favorable this season than last. The number of lambs fed in the Colorado and Nebraska feeding areas was not so large this season as a year earlier and the number of lambs remaining on feed on February 1 in these areas was considerably smaller than on the corresponding date of each of the preceding 2 years.

Early lamb conditions are favorable in California and Arizona this year. Lambing has started in the early lambing areas of Idaho, Oregon, and Washington and the condition of sheep and the feed supply in these regions are reported to be favorable for the early lamb crop.

Prices of sheep and lambs advanced sharply from mid-December to mid-January, despite a sharp increase in slaughter supplies in January over December. Prices weakened a little in early February, but most of the advance of preceding weeks was maintained. The average price of good and choice grade slaughter lambs at Chicago for the week ended February 8 was \$10.30, compared with \$9.20 in mid-December and \$8.90 in the corresponding week of 1940. The effect of larger supplies upon prices has been more than offset by stronger demand for meats and higher wool prices this year than last.

Slaughter supplies of sheep and lambs increased sharply in January. Federally inspected slaughter for the month totaled 1,825,000 head, nearly 15 percent more than in December but less than 2 percent more than in January last year.

WOOL

Sales of spot domestic wools at Boston were small in January and in early February. Prices declined slightly on some grades but quotations were largely nominal. Interest in the domestic market is shifting to the Western States where contracting of the 1941 clip has begun.

Domestic supply and demand conditions are favorable for the marketing of the 1941 domestic wool clip. The carry-over of domestic wool into the new season, which begins about April 1, is expected to be the smallest in recent years. Although imports of wool in the first quarter of 1941 will be large, mill consumption also will be large, and total stocks of domestic and imported wool in the United States on April 1 probably will be relatively small.

Mill consumption of wool in the United States in 1941 is expected to be larger than in 1940 with most of the increase in the first half of the year. The large consumption is expected to result from greater consumption of wool for both civilian and military uses in 1941. Consumption in 1940 was slightly larger than in 1939; except for 1935 it was larger than for any recent year.

The relatively small carry-over of wool in this country and prospects for a large mill consumption of wool in 1941 will be strong supporting factors to domestic wool prices. But wool supplies available for shipment from foreign countries to the United States are relatively large, and any advance in domestic prices from present levels is likely to be moderate.

United States imports of apparel wool for consumption in 1940 totaled 223 million pounds. Imports in 1940 were 125 million pounds larger than in 1939 and were the largest since 1923, when they totaled 266 million pounds. Stocks of apparel wool in the United States (excluding wool afloat) on December 31, 1940 were about equal to those of a year earlier but were much smaller than December 31 stocks in the years 1935-38.

BUTTER

Butter prices declined sharply from mid-December to mid-January following the marked price rise in the latter part of 1940 and the more than usual increase in butter production in December and January. Butter prices in January averaged lower than in the same month of 1940. During the remainder of the feeding period prices will probably average higher than in the same period of 1940. The higher level of consumer's income is expected to more than offset the effect of a larger production on prices.

In the latter part of January and in early February the Surplus Marketing Administration purchased about 2 million pounds of butter on the open market, thereby stabilizing prices.

Butter production has increased more than usual since the seasonal low was reached in November, and has been unusually large for this season of the year. With ample supplies of feed and the largest number of cows on farms in 6 years, production during the remainder of the feeding period is expected to average higher than in the same period of 1940.

Apparent consumption of butter in December was slightly less than a year earlier, but retail prices were 16 percent higher. The improvement in employment and payrolls is being reflected in consumer expenditures for butter. Expenditures for dairy products in 1941 are expected to be larger than in 1940.

POULTRY AND EGGS

Egg production during the coming spring and summer is expected to be slightly smaller than in the corresponding period of 1940 because of the smaller number of layers on farms than a year earlier. However, egg production to date this year has been considerably larger than a year earlier, mostly because of the mild weather compared to the unusually cold weather from mid-January to about mid-February in 1940. The rate of lay per hen on February 1 was the highest on record for that date. Storage stocks of both shell and frozen eggs now are about at their seasonal lows and, with normal weather, net into-storage movements will begin in a few weeks. The storage demand is expected to be stronger this season than last.

Most of the seasonal decline in egg prices, which usually occurs from November to March, took place this year from early December to about the middle of January. The average price received by farmers for eggs on January 15 was about a cent and a half or about 8 percent higher than a year earlier. Wholesale egg prices have changed little since mid-January. The Surplus Marketing Administration began to purchase eggs on January 31. The stronger consumer demand and the prospective slightly stronger storage demand this year than last, together with smaller supplies of eggs, are expected to

cause egg prices to average higher in 1941 than in 1940.

Since January 1 receipts of live poultry at primary markets and receipts of dressed poultry at principal markets have averaged smaller than a year earlier. The net out-of-storage movement of frozen poultry has been larger than a year earlier, reflecting smaller farm marketings of live poultry and continued heavy consumption of poultry meat. However, storage stocks of poultry on February 1 were the largest on record for that date. Average prices received by farmers for both chickens and turkeys in January were substantially higher than a year earlier and are expected to average higher this year than last, primarily because of the stronger consumer demand.

Although the feed-egg ratio now is considerably less favorable than a year earlier, it is expected to average more favorable during the months of heaviest egg production and chick buying. As a result, more chickens may be raised this year than in 1940.

POTATOES

The larger supplies of potatoes in prospect for the first 6 months of 1941 compared with a year earlier are likely to more than offset the influence of increased purchasing power on prices. Stocks of potatoes in the hands of growers and local dealers on January 1 were indicated to total 119 million bushels, or 14 percent more than the 104 million bushels on hand a year earlier. Also, the acreage planted or to be planted to potatoes in the fall, early, and second early States totals 204,000 acres, or about 4 percent more than was planted in 1940. This larger acreage indicates that the supply of new potatoes will be somewhat larger than that of last season, unless yields are substantially below those of 1940.

As a result of the large supply of potatoes now available and in prospect, the Surplus Marketing Administration has inaugurated a program providing for the diversion of about 12.5 million bushels of western late crop potatoes to livestock feed. The potatoes diverted must be of the No. 2 grade or better, and the growers eligible to participate in the program are those in the designated commercial potato producing districts of the eight Western States who cooperated in the 1940 Agricultural Adjustment Administration Potato Acreage Allotment Program. The program provides for payments to eligible growers of 25 cents per 100 pounds for these diversions. In Maine a similar program provides for the diversion of 6.5 million bushels of potatoes to the manufacture of starch.

TRUCK CROPS

Heavy rains in the winter vegetable producing areas extending from Florida to California during late January continued to interfere with harvesting and marketing operations, and temporarily reduced market supplies. As a result, market prices of many truck crops continued to rise in late January and early February. In general, however, market prices in early February were slightly below the unusually high levels of a year earlier. This is particularly true of those vegetables that were damaged severely last season by the freeze. Prices of such California crops as broccoli,

Brussel sprouts, carrots, cauliflower, celery, and lettuce averaged higher than those of a year earlier. These crops have suffered weather damage this season whereas last season they had normal growing conditions.

Plantings of winter truck crops have been increased somewhat over those of a year earlier, and with favorable weather production and marketings are likely to increase materially during the next few weeks. Early cabbage is the only crop to show a material reduction in acreage from that of 1940. Increases are indicated in the plantings of snap beans, beets, lettuce, onions, peppers, and tomatoes. Market supplies of most of these probably will be larger than the relatively small supplies available last spring. If weather conditions improve during the next few weeks, marketings of truck crops generally are likely to increase and result in some declines in market prices. The general prospect is that prices will average somewhat below those of last spring.

FRUITS

Domestic supplies of citrus fruits and apples in the next 5 months will be roughly 10 percent and 15 percent larger respectively than they were in the same period a year earlier. In view of this situation, Government purchases of citrus and apples for relief distribution probably will continue. Increased consumer income will also help to offset the depressing effect on prices of these large supplies.

Auction prices of Extra Fancy Washington Delicious and Winesap apples decreased seasonally from December through January, and prices of Extra Fancy Rome Beauties increased contra-seasonally. Prices of the various varieties of Western apples at New York and Chicago in January were unchanged to 20 cents per box higher than in the comparable month of 1940, and prices of Eastern and Midwestern apples were unchanged to 50 cents higher. In January 5.7 million bushels of apples were moved out of cold storage compared with 5.9 million bushels in January 1940.

The February 1 estimate of total orange and grapefruit production was 4.8 million tons compared with 4.3 million tons in 1939. The estimate made on February 1 is only .1 million tons greater than that made a month earlier.

Auction prices of California and Florida oranges at New York in the week ended February 7 were slightly higher than comparable prices in 1940. Last year orange prices rose sharply in the latter part of January as a result of freeze damage in Florida and Texas. Prices of Florida grapefruit have been below those of last year from the beginning of the season to date.

INDEX NUMBERS INDICATED BASE PERIOD = 100

YEAR AND MONTH	INDUS- TRIAL PRO- DUCTION ¹	CON- STRUC- TION CON- TRACTS AWARDED ¹	FACTORY EMPLOY- MENT ²	FAC- TORY PAY- ² ROLLS	INCOME OF IN- DUSTRIAL WORKERS ³	VOLUME OF AGRI- CULTURAL EXPORTS ⁴	WHOLE- SALE PRICES OF ALL COMMOD- ITIES ⁵	RETAIL FOOD ⁶ PRICES	PRICES RE- CEIVED BY FARMERS ⁷	PRICES PAID BY FARM- ERS	RATIO OF PRICES RECEIVED TO PRICES PAID	CASH INCOME FROM FARM MAR- KETINGS ⁸
Base Period	1935-39	1923-25	1923-25	1923-25	1924-29	1910-14	1910-14	1913	1910-14	1910-14	1910-14	1924-29
1929	110	117	106	110	107	107	139	166	146	153	95	104
1930	91	92	92	89	88	82	126	158	126	145	87	83
1931	75	63	78	68	67	88	107	130	87	124	70	58
1932	58	28	66	47	46	94	95	108	65	107	61	44
1933	69	25	73	50	48	85	96	105	70	109	64	49
1934	75	32	86	64	61	66	109	117	90	123	73	58
1935	87	37	91	74	69	61	117	126	108	125	86	65
1936	103	55	99	86	80	55	118	127	114	124	92	76
1937	113	59	109	102	94	65	126	132	121	130	93	81
1938	88	64	91	78	73	75	115	122	95	122	78	71
1939	108	72	100	92	83	65	113	119	93	121	77	72
1940 ⁹	122	82	108	105	94	50	115	121	98	122	80	77
1940-												
Jan.	122	75	108	104	93	105	116	119	99	122	81	79
Feb.	116	63	106	99	89	104	115	121	101	122	83	84
Mar.	113	62	104	97	87	68	114	120	97	123	79	76
Apr.	111	64	103	96	86	61	115	120	98	123	80	82
May	115	64	103	97	87	47	114	121	98	123	80	80
June	121	74	104	99	89	44	113	123	95	123	77	70
July	121	85	105	102	91	47	113	122	95	122	78	71
Aug.	121	90	107	106	95	32	113	121	96	122	79	71
Sept.	125	93	109	111	98	22	114	122	97	122	80	76
Oct.	129	95	111	114	100	27	115	120	99	122	81	80
Nov.	132	111	114	118	102	22	116	120	99	122	81	79
Dec. ⁹	137	120	117	123	107	20	117	122	101	122	83	84
1941-												
Jan. ⁹							118	122	104	123	85	

¹Federal Reserve Board, adjusted for seasonal variation. Industrial production revised August 1940.²Bureau of Labor Statistics, adjusted for seasonal variation (employment adjusted by Federal Reserve and payrolls by Bureau of Agricultural Economics). Revised January 1941.³Adjusted for seasonal variation. Includes factory, railroad, and mining employees.⁴Foreign Agricultural Relations, July 1909 - June 1914 = 100, adjusted for seasonal variation.⁵Bureau of Labor Statistics, 1926 = 100, converted to 1910 - 14 = 100.⁶Bureau of Labor Statistics, 1935 - 39 = 100, converted to 1913 = 100. Revised series beginning 1935.⁷August 1909 - July 1914 = 100.⁸Adjusted for seasonal variation. Revised March 1940.⁹Preliminary.

Note: In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the different base periods used, and of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and payrolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in worker's income.

